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Central Intelligence Agency

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DIRECTORATE OF INTELLIGENCE

4 May 1984

China's Role in International Organizations

Summary

China has used its growing involvement in international organizations over the past few years in part to pursue its economic modernization goals. Since ending its policy of self-reliance in 1978, Beijing has sought and received substantial development assistance from the World Bank, International Monetary Fund, and UN agencies. This effort will bring China into increasing competition with other developing countries, possibly complicating Chinese efforts to win influence among these Third World countries. [redacted]

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Beijing, however, seems aware of this possibility and has sought to assuage their concerns. The Chinese also have abandoned their earlier abrasive efforts to rally Third World support for their "united front" strategy against the Soviet Union, offering instead strong support for South-South cooperation and Third World causes in general in international forums. Even in debates over Afghanistan and Kampuchea--where the Chinese have a strong stake--they have tended to let others take the lead against the Soviets and Moscow's Vietnamese ally. [redacted]

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This memorandum was prepared by [redacted] China Division, Office of East Asian Analysis. It was coordinated with OGI. It was self initiated. Research was completed on 1 March 1984. Comments and questions are welcome and should be addressed to Chief, OEA/CH/Foreign Affairs Branch, [redacted]

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Having won the "China seat" in most international bodies, Beijing also has adopted a more conciliatory attitude toward Taiwan's growing participation in nongovernmental international organizations, such as the Olympics. We believe Beijing hopes in doing so to expand contacts and eventually coax Taipei into a dialogue. [REDACTED]

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Promoting Development

Spurred by its modernization drive, Beijing has joined a number of international organizations over the past several years to obtain low cost technical and financial assistance. China has joined the World Bank, IMF, and stepped up its participation in such UN organizations as UNCTAD, UNICEF, and WHO. Beijing prefers receiving aid through these multilateral channels because there are no hidden political strings attached and because the World Bank and IMF offer much lower interest rates than do private banks and foreign governments. [REDACTED]

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Beijing has also joined some organizations to acquire the credentials to pursue other developmental goals. For example, we believe its decision to join the International Atomic Energy Agency last fall was designed to encourage Western suppliers, such as the United States and Japan, to relax their restrictions on providing China with nuclear equipment. If Beijing decides to join the General Agreement on Tariffs and Trade (GATT), it may do so in large part to become eligible for US consideration of tariff reductions under the Generalized System of Preferences (GSP). [REDACTED]

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The World Bank has been Beijing's primary source of developmental funds. When Beijing joined the Bank in the spring of 1980, however, it was too late to be included in the sixth replenishment of the Bank's credit subsidiary--the International Development Agency (IDA). Further reductions in IDA donor funds and a one-year delay in the beginning of the next replenishment of IDA until this year made it even more difficult for China to receive IDA funding. Nevertheless, Beijing has obtained \$1.07 billion in World Bank loans and credits since 1981, about half at IDA concessional rates. This year Beijing expects to receive about \$1 billion from the Bank and hopes to obtain even larger amounts in the years ahead. Beijing is using these funds for various projects in education, energy, agriculture, and transportation. [REDACTED]

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The World Bank is also a source of advice and expertise. Its 1981 comprehensive study of China's economy was unprecedented as a source of information for foreign governments involved with China's economy. Beijing was apparently so satisfied with this study that it has commissioned the Bank to prepare another one this spring. [REDACTED]

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Less than a year after joining the IMF in April 1980, the Chinese also made two reserve tranche drawings, received a trust

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[redacted]

fund loan, and borrowed against its credit tranche worth a total of 1.23 billion special drawing rights (SDR) (approximately \$1.3 billion). China's subsequent record balance-of-payments surplus led Beijing to announce in May 1983 that it was paying back its 450-million-SDR first credit tranche 10 months early. [redacted]

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In addition, China has received \$230 million in development grants from the United Nations since 1979. These funds have been used mainly to purchase computers to tabulate the 1982 census and to sponsor the June 1982 foreign investment promotion meeting under the auspices of the UN Industrial Development Organization. [redacted]

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China's efforts to gain a greater share of the already tight development aid available from these sources will place it in increasingly stiff competition with other Third World countries--especially India. The Indians previously have received as much as 40 percent of the IDA's credits. Now Beijing is pressing for half of India's allotment. The enormous needs of these two countries have raised concerns among smaller developing countries that there will be little left for them. [redacted]

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To offset such concerns, the Chinese have backed Third World demands that the developed countries increase their contributions to the World Bank and that the IMF expand its borrowing limits. In addition, China recently announced it would contribute over \$3 million during 1984 for nine UN programs. These contributions include Chinese technical assistance to other Third World countries. For example, the Chinese are currently bringing Africans to China for UN-sponsored training in biogas development and rural medical care. [redacted]

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Passive Diplomacy

Beijing clearly enjoys its prestige as a permanent member of the UN Security Council and uses its position to speak out on behalf of Third World causes--in part to underscore its "independence." And yet the Chinese rarely take the initiative at the UN or in other international forums on important issues. Instead, they tend to follow the consensus among Third World states. [redacted]

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The Chinese approach seems designed to gain as much good will as possible by offending the smallest number of Third World states. As a result the Chinese have a reputation for passivity. Even on issues of direct and vital interest to China, such as Kampuchea and Afghanistan, the Chinese have tended to late to confine their corridor lobbying at the United Nations to a handful of friendly African countries that have received Chinese aid. Frequently, Beijing relies on others to take the lead, such as ASEAN on matters related to Southeast Asia. [redacted]

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Because of their concern about image, moreover, the Chinese have only infrequently sided with the United States on controversial issues. [redacted]

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Chinese diplomats are further hampered at the UN and other international gatherings because they are given little discretionary authority. They rely heavily on instructions from Beijing and are not always well informed on Chinese policy. [redacted]

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The Chinese mission to the UN regularly sends policy recommendations back to the Foreign Ministry's International Affairs Department, but both components are only allowed to make routine decisions on voting. Key decisions are ultimately made by a small group within the Politburo. [redacted]

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In dealing with current developments, Chinese diplomats initially often have to dance around inquiries from other delegations, usually relying only on China's press statements for guidance. In the case of the Korean aircraft shootdown, Chinese diplomats at the UN initially told their US counterparts that they thought, on the basis of China's press coverage, that Beijing would support the US initiative in the Security Council. Later they were chagrined to receive instructions from Beijing to abstain. [redacted]

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Lack of policy coordination within China's Foreign Ministry also has led China's UN diplomats to contradict their counterparts in Beijing. In March 1983, the Chinese Permanent Representative charged the United States with interfering in Central America just days after an MFA official in Beijing had emphasized to US Embassy officials the similarity of their views on the Cuban threat to Central America. [redacted]

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Dealing with Taiwan

One of Beijing's primary goals in joining international organizations in the 1970s--both intergovernmental and unofficial--was to wrest the "China seat" from Taiwan. With few exceptions--notably the Asian Development Bank--it has met this goal. As a result, since 1981 China has shown a much more relaxed attitude toward Taipei rejoining some nonofficial international organizations--as China-Taipei. In doing so, Beijing, we believe, hopes to expand contacts and eventually induce Taiwan to hold reunification talks. [redacted]

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Although welcoming the chance to participate in international activities again, Taipei continues to finesse Beijing's overtures. It tries to keep all contacts between Taiwan and mainland athletes, scholars, and other nonofficial personnel to a minimum. Taiwan's Prime Minister Sun recently

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[redacted]
announced that these meetings could take place as long as they were held on an equal footing, were not political, and did not take place on the mainland. [redacted]

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With some modifications, the Olympic solution formulated in 1981 is now the model for dual participation of Beijing and Taipei in nonintergovernmental organizations. Under this arrangement, Taiwan has remained in the Olympic movement by calling its Olympic organization the "Chinese Taipei National Olympic Committee." Taiwan also agreed to submit a new flag and emblem to the International Olympic Committee for approval. This significant change was made primarily in response to Beijing's success at isolating Taiwan. [redacted]

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Beijing has subsequently insisted that Taiwan not use the word "national" in its title because it implies there are two Chinas. By referring to itself as China-Taipei and accepting the other conditions of the Olympic formula, Taiwan is gradually rejoining a variety of sports, cultural, and scientific organizations. Taiwan is now a member of 280 such organizations. Beijing is joining many of the same organizations but has said it will postpone joining an organization if it cannot reach an agreement with Taipei, rather than force the issue. [redacted]

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Beijing's effort to change Taiwan's status in the Asian Development Bank (ADB)--the last major intergovernmental organization in which Taipei has membership--could be another turning point toward greater dual participation in international organizations. If a compromise (similar to the Olympic solution) can be arranged, Taiwan might use this precedent to resume participation in other intergovernmental organizations. [redacted]

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Both Beijing and Taipei have ostensibly made some concessions to solve the ADB issue. Taiwan, for the first time, has indicated a willingness to remain in an intergovernmental organization even if Beijing joins. [redacted]

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Since last spring--when China demanded Taiwan's expulsion--China has also taken a more conciliatory approach. Deng Xiaoping told [redacted] last June that Taiwan could remain in the ADB if the Bank adopted the "China-Taipei" formula. Foreign Minister Wu later added that the ADB must acknowledge the PRC as the sole legal representative of China. Beijing portrays this new approach as a major concession. We believe the improved atmosphere in Sino-US relations contributed to Beijing's more flexible attitude. [redacted]

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Taiwan remains unwilling to accept such a solution. Last August, Premier Sun privately ruled out using the Olympic formula as a means for Taiwan remaining in the ADB. Another official on Taiwan added that Taiwan could accept the Olympic formula in nongovernmental organizations, but that it would be an

[redacted]
"unacceptable impeachment of sovereignty" if used in an
intergovernmental organization. [redacted]

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